



MINUTES OF THE BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

Joanne Sturges, Executive Officer  
Clerk of the Board of Supervisors  
383 Kenneth Hahn Hall of Administration  
Los Angeles, California 90012

Chief Administrative Officer

At the Budget Deliberations held June 29, 1998, the Board took the following action:

12-B

The following item was called up for consideration:

Chief Administrative Officer's recommendation on debt management:

- a. Approve the Debt Management Guidelines which limit the issuance of various debt financing instruments in 1998-99;
- b. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not to exceed \$60.0 million to finance the acquisition of various equipment needs;
- c. Approve the issuance of additional long-term Bond Anticipation Notes in the form of Tax-Exempt Commercial Paper in an amount not to exceed \$22.0 million to provide interim funding for capital costs; and
- d. Adopt the attached "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital Expenditures from the Proceeds of Taxable or Tax-Exempt Obligations".

On motion of Supervisor Knabe, seconded by Supervisor Yaroslavsky, unanimously carried, the Chief Administrative Officer's attached recommendations were adopted.

062998.12-B

Attachment

Copies distributed:

Each Supervisor  
County Counsel  
Auditor-Controller  
Treasurer and Tax Collector



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors

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First District

YVONNE BRATHWAITE BURKE  
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Third District

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MICHAEL D. ANTONOVICH  
Fifth District

June 29, 1998

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

**1998-99 DEBT MANAGEMENT GUIDELINES; BOND ANTICIPATION NOTE  
AUTHORIZATION AND REIMBURSEMENT RESOLUTION  
(ALL DISTRICTS) (3-VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

- 1) Approve the attached Debt Management Guidelines which limit the issuance of various debt financing instruments in 1998-99.
- 2) Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not to exceed \$60.0 million to finance the acquisition of various equipment needs.
- 3) Approve the issuance of additional long-term Bond Anticipation Notes in the form of Tax-Exempt Commercial Paper in an amount not to exceed \$22.0 million to provide interim funding for capital costs.
- 4) Adopt the attached "Resolution of the Board of Supervisors of the County of Los Angeles Declaring its Intention to Reimburse Certain Capital Expenditures from the Proceeds of Taxable or Tax-Exempt Obligations".

**PURPOSE OF RECOMMENDED ACTION**

On July 3, 1990, the Board of Supervisors adopted Comprehensive Debt management Guidelines (Guidelines) to regulate the use of various financing instruments. The Guidelines provide limits for the issuance of short and long-term obligations as well as Bond Anticipation



Notes (BANs). They do not apply to voter-approved debt or debt incurred by Agency funds. The Guidelines are reviewed annually and an annual update is filed with the Board regarding the following types of obligations:

- Bond Anticipation Notes
- Short-Term-Tax-Exempt Notes
- Long-Term Leasehold Revenue Bonds or Certificates of Participation
- Unrated Short and Long-Term Obligations

The limits adopted for each of these debt categories are expressed as a percentage of the Total County Budget and represent the maximum amount of one-year obligations such as the BANs and Tax and Revenue Anticipation Notes (TRANs) which may be issued as well as the maximum level of annual debt service on intermediate and long-term bonds and certificates of participation (COPs) which may be incurred during the fiscal year.

In 1990, the Board of Supervisors approved a limit on the level of BANs issued and outstanding for capital projects and equipment equal to 2.0 percent of the Total County Budget. The Board also approved a limit on the annual payments due on intermediate and long-term bonds or COPs equal to 4.0 percent of the Total County Budget, and 0.4 percent for unrated, publicly offered obligations. Tax-exempt, short-term notes were limited to the maximum amount borrowable under federal tax regulations.

#### 1998-99 Guideline Compliance

The Proposed 1998-99 Budget complies with the Guidelines adopted in 1990. As specified in Attachment I, the debt and annual payment obligations projected for 1998-99 are expected to remain within the limits imposed by the Guidelines. In addition, the combined 4.4 percent maintained under the Guidelines on 1998-99 payments on intermediate and long-term obligations is well under the 10.0 percent threshold established by the Standard & Poor's Corporation for local governments.

The conversion of the capital projects BANs program's funding source from the County Treasury Pool to the public capital markets changes the categorization of \$200.0 million in debt from short-term to long-term. While annual long-term debt service remains within the Guidelines, the maximum short-term limit should be adjusted downward in the future to more accurately reflect short-term borrowing needs.

#### Reimbursement Resolution

In addition to adopting the proposed debt limits, we are requesting that your Board execute

the attached Reimbursement Resolution approved by County Counsel to comply with federal tax regulations governing the recovery of County capital costs from taxable and tax-exempt bond proceeds. Execution of this resolution will enable the County to maximize reimbursement for costs related to the acquisition of equipment.

### **JUSTIFICATION -**

#### **Debt Management Guidelines**

The Board of Supervisors adopted Comprehensive Debt Management Guidelines to regulate the issuance of various financing instruments in 1990. At that time, the Board directed the County to annually review and file a yearly update of the Guidelines. Approval of this item will meet the Board's annual reporting requirement.

#### **Internal Revenue Service Requirements**

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bond or COP proceeds. In order to ensure the continued recovery of allowable expenditures which were related to capital projects and equipment acquisitions, the regulations require your Board to adopt a Resolution which states the following:

- your Board's intention to finance expenditures related to capital projects and equipment acquisitions;
- a statement that any such expenditures would be financed through a tax-exempt or taxable issuance of bonds or COPs;
- a qualitative description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- identification of the expected source(s) of funds which would initially pay for such expenditures and ultimately be utilized to repay the bond or COP obligation.

The attached resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment anticipated to be long-term financed is attached for your review.



The Honorable Board of Supervisors  
June 29, 1998  
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**FISCAL IMPACT**

Approval of the recommended actions will enable the County to finance ongoing equipment needs.

**FINANCING**

Funding for the repayment of BANs and debt service on intermediate and long-term obligations has been included in the 1998-99 Proposed Budget.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The attached Reimbursement Resolution has been approved by County Counsel.

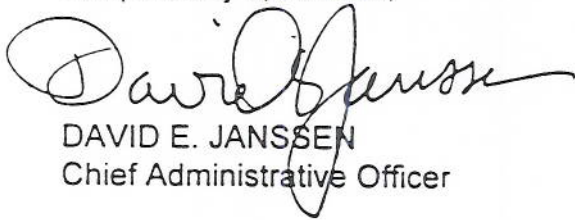
**IMPACT ON CURRENT SERVICES**

The recommended action will ensure that the County's long-standing LAC-CAL Equipment Program continues.

**CONCLUSION**

Upon approval of the recommendations, please forward an adopted, stamped copy of the Board letter and an executed copy of the Reimbursement Resolution to my office.

Respectfully submitted,



DAVID E. JANSSEN  
Chief Administrative Officer

DEJ:SNY  
JSE:DJT:imb

Attachments

c: Executive Officer, Board of Supervisors  
County Counsel  
Auditor-Controller  
Treasurer and Tax Collector

**County of Los Angeles  
Debt Management Guidelines  
Proposed 1998-99 Debt Limits**

Attachment I

Obligation Type	Maximum Limits Per Guidelines	Levels in Proposed 1998-99 Budget
<b>I. Short-Term Obligations (1)</b> <b>Limit on Principal Outstanding at 2.0% of Total County Budget (\$13.3 billion)</b>		
a. Dollar Limits (in millions)	\$ 265.46	\$ 60.00
b. Percent of Total County Budget	2.00%	0.45%
<b>II. Publicly Offered Intermediate and Long-Term Obligations (2)</b> <b>Limits on Annual Payments as a Percent of Total County Budget</b>		
a. Dollar Limits (in millions)	\$ 530.92	\$ 461.02
b. Percent of Total County Budget	4.00%	3.47%
<b>III. Privately Placed, Intermediate-Term Equipment Leases (3)</b> <b>Limits on Annual Payments as a Percent of Total County Budget</b>		
a. Dollar Limits (in millions)	\$ 53.09	\$ 45.00
b. Percent of Total County Budget	0.40%	0.34%

- Notes: (1) Reflects BANs issued by LAC-CAL Corporation to the County Treasury Pool which are ultimately redeemed through the issuance of bonds or certificates of participation. Until redemption, interest payments are payable on a semi-annual basis.
- (2) Reflects 1998-99 payments on various long-term obligations outstanding as of 7/1/98 and the potential issuance of up to \$350 million in additional obligations. Excludes the final payment of the Pension Bond Yen Loan which matures in 1998-99 and will be redeemed from investment securities with a matching maturity.
- (3) Reflects 1998-99 payments on various unrated, privately-placed equipment leases with 18 month to 30 month maturities.

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE  
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO  
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE  
PROCEEDS OF TAXABLE OR TAX-EXEMPT OBLIGATIONS  
(1989-99 EQUIPMENT BANS PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of five years or more (the "Equipment"), as set forth in Attachment A hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Treasurer and Tax Collector of the County; and

WHEREAS, the costs of the Equipment paid with the proceeds of the BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment; and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, or certificates of participation ("Obligations") to redeem the BANs and reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, after issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the same manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a "declaration of official intent" in accordance with Section 1.150-2 of the regulations of the United States Department of the Treasury under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations");

NOW, THEREFORE, this Board does not find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its intention to issue Obligations to finance the Equipment in an amount not to



exceed \$20,030,000, the proceeds of which will be used to reimburse the County for capital expenditures paid for the Equipment prior to the issuance of said Obligations.


The foregoing resolution was on the \_\_\_\_\_ day of June, 1998, adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

JOANNE STURGES, Executive Officer,  
Board of the Supervisors of the County  
of Los Angeles

By \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:

DE WITT W. CLINTON  
County Counsel

By   
Chief Deputy

LOS ANGELES COUNTY CAPITAL ASSET LEASING ACQUISITION (LAC-CAL)  
EQUIPMENT FINANCING PROGRAM  
Summary of Authorized Transactions/Financing Uses  
by Departments - all Funds

Department	Equipment	Anticipated 1998-99 Acquisitions
<b>GENERAL FUND</b>		
Coroner	Vehicles, Lab Equipment	\$ 310,000
Internal Services	Computer Hardware	6,200,000
Office of Ombudsman	Computer Hardware	20,000
Sheriff	Vehicles, Computers	10,000,000
Superior Court	Vehicles, Computer Hardware	<u>3,500,000</u>
Total General Fund		\$20,030,000

The equipment identified on this page reflect County equipment requirements to be financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) in 1998-99. The County Board of Supervisors has not allocated, reserved or otherwise set aside any funds in the County's 1998-99 Proposed Budget to purchase the equipment identified above.

It is officially the intention of the County Board of Supervisors that the acquisition of such equipment be initially funded through the issuance of Bond Anticipation Notes (BANs) or another short-term financing mechanism. The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Any such costs, which are initially funded by BANs, will be properly capitalized under general federal income tax principles.

Further, the Board of Supervisors expects the outstanding BANs to be redeemed and the County Treasury Pool reimbursed, through the issuance of taxable or tax-exempt, intermediate-term lease revenue bonds, certificates of participation, or through a lease with a third-party lessor. The amounts specified above represent the maximum principal amounts of such intermediate-term obligations to be issued for the specified equipment.

These official intentions of the Board of Supervisors with respect to the LAC-CAL Equipment Program have been specified in accordance with U.S. Treasury Regulation 1.103.18.